

Message Text

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INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-02

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0509

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

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PASS TREASURY

E.O. 11652: N/A

TAGS: PGOV, PINT, UK

SUBJECT: CALLAGHAN TAKES OVER

REF: LONDON 5206

SUMMARY - IMMEDIATELY FOLLOWING ANNOUNCEMENT OF LABOR
LEADERSHIP ELECTION RESULTS, NEW PARTY LEADER JAMES
CALLAGHAN MET WITH PARLIAMENTARY LABOR PARTY (PLP), CALLED
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FOR GREATER PARTY UNITY, INDICATED CHANGES IN CABINET

WOULD BE ANNOUNCED SHORTLY AND PUBLICLY REQUESTED DENIS HEALEY TO STAY ON AS CHANCELLOR. HE WAS LATER SUMMONED TO BUCKINGHAM PALACE AND EMERGED AS BRITAIN'S NEW PRIME MINISTER. CALLAGHAN SUBSEQUENTLY ADDRESSED COUNTRY ON NATION-WIDE TV/RADIO HOOK-UP, STRESSING DIFFICULT PROBLEMS OF INFLATION AND UNEMPLOYMENT FACING UK AND CALLING FOR SUPPORT OF ALL BRITONS IN RESOLVING THEM. SPECULATIVE MILLS ARE GRINDING AT FULL SPEED OVER POSSIBLE CABINET CHANGES, BUT WITHOUT BENEFIT OF RELIABLE INFORMATION. ANNOUNCEMENT OF CHANGES IS EXPECTED LATER IN WEEK. END SUMMARY.

1. WITH LABOR PARTY LEADERSHIP ELECTION OUT OF WAY (REF-TEL), CALLAGHAN BROKE HIS POLITICAL SILENCE AND MOVED SWIFTLY TO CONSOLIDATE HIS POSITION AS LEADER. PLP UNANIMOUSLY APPROVED RESOLUTIONS ACCLAIMING CALLAGHAN LEADER, BIDDING FAREWELL, WITH APPROPRIATE GRATITUDE, TO HAROLD WILSON, AND THANKING HIS WIFE MARY FOR HER CONTRIBUTIONS TO PARTY AND NATION, AND THEN SAT BACK TO LISTEN TO THE NEW MAN. CALLAGHAN TOLD THEM HIS FIRST ACT AFTER BECOMING PRIME MINISTER WOULD BE TO ASK CHANCELLOR DENIS HEALEY TO STAY ON THE JOB (BUDGET WILL BE INTRODUCED TO PARLIAMENT APRIL 6). HE THEN CALLED FOR GREATER UNITY AND COHESION IN PARTY AND ANNOUNCED THAT "SLATE WOULD BE WIPE CLEAN." IN ATTACK ON TRIBUNE AND MANIFESTO GROUPS, CALLAGHAN SAID THAT NEITHER HELD "ARK OF COVENANT" AS REGARDS LABOR POLICIES AND SAID HE WOULD NOT TOLERATE FAC-TIONAL MANEUVERING AT COST OF PARTY UNITY. (MANIFESTO GROUP PROMPTLY ANNOUNCED ITS WILLINGNESS TO DISSOLVE IF TRIBUNE DID LIKEWISE.) AS TO FUTURE, CALLAGHAN TOLD PLP THAT HE WOULD CONDUCT OPEN GOVERNMENT, WOULD EXPLAIN ISSUES TO BRITISH PEOPLE AND WAS CONFIDENT HE COULD WIN THEIR SUPPORT. HE ALSO INDICATED HE WOULD BE ACCEPTING RESIGNATIONS FROM SEVERAL OLDER MEMBERS OF PRESENT CABINET CLEARING WAY FOR NEW BLOOD.

2. SUMMONED TO BUCKINGHAM PALACE FROM TRANSPORT HOUSE SHORTLY AFTER 6 P.M., CALLAGHAN EMERGED A HALF HOUR LATER AS PRIME MINISTER. HE AND HIS WIFE AUDREY THEN PROCEEDED TO 10 DOWNING STREET.

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3. CALLAGHAN'S FIRST PUBLIC ACT AS PRIME MINISTER WAS TO BROADCAST, ON NATION-WIDE TV/RADIO NET, A FIVE MINUTE MESSAGE TO BRITISH PEOPLE. HE STRESSED IMPORTANCE OF CONTROLLING INFLATION, NOTING THAT WHILE GOOD PROGRESS HAD BEEN MADE, MUCH REMAINED TO BE DONE BEFORE UNEMPLOYMENT PROBLEM COULD BE LICKED. THERE IS, HE SAID, "NO SOFT OPTION...WE ARE NOT EARNING THE STANDARD OF LIVING WE ARE

ENJOYING." HE EMPHASIZED THE NEED FOR COOPERATION AND
CONSENT IN GOVERNING, PROMISING TO EXPLAIN FACTS TO
BRITISH PEOPLE, CONSULT AND TRUST THEM AND WORK TO GAIN
THEIR TRUST AND SUPPORT. EFFECTIVE MANAGEMENT OF THE
ECONOMY, VITAL THOUGH IT IS, IS NOT ENOUGH: "I WANT...A
REFORMING GOVERNMENT WHICH WILL MAINTAIN SOCIAL
PRIORITIES...TO MAKE IT A SOCIETY WITH GREATER FAIRNESS
AND GREATER SOCIAL JUSTICE." IN CLOSING, CALLAGHAN
PLEDGED HIS EFFORTS TO REESTABLISH THE COUNTRY'S FORTUNES
AND UPHOLD ITS FREEDOM AND VALUES.

4. MEDIA AND PRIVATE SPECULATION REGARDING ANTICIPATED

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CABINET SHAKE-UP IS INTENSE. WITH HEALEY CONFIRMED AT TREASURY, AND FOREIGN OFFICE VACANT, MOST VULNERABLE CABINET SECRETARIES APPEAR TO BE EDWARD SHORT (LORD PRESIDENT), BARBARA CASTLE (SOCIAL SERVICES), FRED PEART (AGRICULTURE), WILLIAM ROSS (SCOTTISH OFFICE) AND HAROLD LEVER (CHANCELLOR, DUCHY OF LANCASTER). EMPLOYMENT SECRETARY MICHAEL FOOT COULD PRESUMABLY CLAIM MOST ANY POSITION, BUT IS PUBLICLY (AND PRIVATELY) ON RECORD AS WISHING TO RETAIN PRESENT PORTFOLIO. HOME SECRETARY JENKINS AND NI SECRETARY MERLYN REES ARE BEST BETS FOR UPWARD MOVEMENT, WITH ENVIRONMENT SECRETARY TONY CROSLAND AND

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PRICES SECRETARY SHIRLEY WILLIAMS ALSO TOUTED FOR BETTER POSTS. CHIEF WHIP BOB MELLISH WANTS A CHANGE, AND WILL PROBABLY GET IT -- HE WOULD LIKE ENVIRONMENT. JENKINS APPEARS TO BE MOST PROBABLE CHOICE FOR FOREIGN OFFICE, THOUGH CROSLAND AND REES HAVE ALSO BEEN MENTIONED. SUNDAY TIMES ADVANCED INTRIGUING THEORY THAT JENKINS WOULD GO TO FONOFF UNTIL FALL WHEN HE WOULD MOVE TO BRUSSELS AS EC PRESIDENT AND BE REPLACED BY HEALEY. THOUGH MASTERFUL, NEAT AND LOGICAL, ARRANGEMENTS SUCH AS THIS ARE NOTORIOUSLY DIFFICULT TO ARRANGE AND MAKE STICK. WE DO KNOW, HOWEVER, THAT JENKINS HAS BEEN OFFERED EC PRESIDENCY AND HAS NOT REFUSED IT. REES IS TIPPED AS BEST BET FOR HOME OFFICE, WITH CROSLAND ALSO MENTIONED. THIS SCENARIO HAS FONOFF MINISTER ROY HATTERSLEY MOVING TO NIO. BACKBENCHER DICKSON MABON, A JENKINS' PROTEGE, IS MOST FREQUENTLY REPORTED FAVORITE TO INHERIT SCOTTISH OFFICE, BUT RUMORS TO THIS EFFECT MAY HAVE BEEN FLOATED BY MABON.

5. COMMENT: SPECULATION ABOUT POSSIBLE CHANGES IS JUST THAT -- THERE ARE REALLY NO INFORMED SOURCES. AT THIS POINT WE ARE PREPARED TO PREDICT ONLY: THAT CHANGES WILL BE FAIRLY EXTENSIVE AND TOUCH ALL LEVELS; THAT CALLAGHAN WILL STRIVE TO MAINTAIN PRESENT IDEOLOGICAL BALANCE TO AVOID OFFENSE TO FOOT AND HIS SUPPORTERS (SOME OF WHOM WILL BE INCLUDED IN GOVERNMENT); AND THAT OLDER MEMBERS OF CABINET (SHORT, CASTLE, ROSS, ET AL) ARE MOST VULNERABLE.

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